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February 3, 2011

To The Board of Commissioners
Housing Authority of the City of Alameda
Alameda, California

We have audited the financial position of the Housing Authority of the City of Alameda as of and for the year ended June 30, 2010, and have issued our report thereon dated February 3, 2011. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material aspects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Housing Authority of the City of Alameda. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Housing Authority of the City of Alameda's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

2. Other Information in Documents Containing Audited Financial Statements and Electronic Dissemination of Audited Financial Statements

Our responsibility for other information in documents containing the Housing Authority of the City of Alameda's financial statements and our auditor's report does not extend beyond the financial information identified in the report. We do not have an obligation to perform any procedures to corroborate other information contained in such other documents.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information in any such sites or to consider the consistency of other information in the electronic site with the original documents.

3. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the Executive Director in our discussions about planning matters. Our understanding is that the Housing Authority's Executive Director has the responsibility for coordinating the audit process with my firm and for communicating to you significant audit matters.

4. Significant Audit Findings

A. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Housing Authority of the City of Alameda are described in Note one to the financial statements.

B. Changes in Accounting Policies

No new accounting policies were adopted and the application of existing policies were not changed in the fiscal year ended June 30, 2010.

C. Significant and Unusual Transactions

No significant and unusual transactions were reported in the financial statements for the fiscal year ended June 30, 2010.

D. Transactions Having a Lack of Authoritative Guidance

We noted no significant transactions entered into by the Housing Authority of the City of Alameda during the 2010 fiscal year for which there is a lack of authoritative guidance.

E. Accounting Estimates

Accounting estimates are an integral part of financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimate affecting the financial statements was management's estimate of depreciation expense which estimates were based upon subsidiary schedules of capital assets and depreciation calculations using the straight-line method of depreciation. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relationship to the financial statements taken as a whole.

F. Sensitive and Unusual Financial Statement Disclosures

The disclosures in the financial statements are intended to be neutral, consistent and clear. Certain sensitive and unusual financial statement disclosures may be particularly sensitive because of their significance to financial statement users. We noted no sensitive and unusual financial statement disclosures in the June 30, 2010 financial statements.

5. Difficulties Encountered in Performing the Audit

We experienced no significant difficulties in dealing with management in performing and completing our audit.

6. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

7. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of the audit.

8. Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 3, 2011.

9. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those financial statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

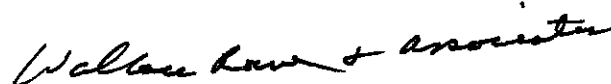
To our knowledge, there were no such consultations with other accountants.

10. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the Authority's auditors or prior to commencement of the financial statement audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the Authority's independent auditor.

This information is intended solely for the use of the Board of Commissioners of the Housing Authority of the City of Alameda and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely yours,



Wallace Rowe & Associates

**HOUSING AUTHORITY
OF THE CITY OF ALAMEDA
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010
(Including Auditors' Report Thereon)**

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
FINANCIAL STATEMENTS
JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of the
City of Alameda
Alameda, California

We have audited the accompanying financial statements of the business-type activities and the major funds of the Housing Authority of the City of Alameda, California, as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of the City of Alameda, California's, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major funds of the Housing Authority of the City of Alameda, California, as of June 30, 2010, and the respective changes in financial position and, cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2011, on our consideration of the Housing Authority of the City of Alameda, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Alameda, California's basic financial statements. The accompanying supplementary information which includes the Schedule of Expenditures of Federal Awards, the Financial Data Schedule, the statement of completed capital fund project, and the Schedules of Changes in Net Assets are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the U.S. Department of Housing and Urban Development, and are also not a required part of the basic financial statements of the Housing Authority of the City of Alameda, California. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Wallace Rowe & Associates

February 3, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Housing Authority of the City of Alameda (the Authority) we offer readers of the Authority's financial statements this narrative, overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented in this report.

The financial statements for the fiscal year 2010 are being issued in the format prescribed by the provisions of Government Accounting Standards Board Statement Number 34 (or GASB 34), which requires the Authority to provide this overview of its financial statements for the fiscal year. Please read it in conjunction with the Basic Financial Statements.

The Housing Authority of the City of Alameda primarily provides housing assistance to low income families and individuals. The primary sources of funding are through governmental grants received from the U.S. Department of Housing and Urban Development ("HUD"), and rent collections from its owned units.

The following management discussion and analysis (MD&A) will discuss the results of the authority's operations. Key financial information for the current fiscal year will be compared with those of the prior year.

Financial Highlights

- As stated above, the two primary sources of revenue are governmental grants and rents collected from owned units. These combined amounts totaled \$31,754,238 in fiscal year 2010 as compared to \$24,695,104 in fiscal year 2009.
- The assets of the Authority exceeded its liabilities at June 30, 2010 by \$24,064,261, as opposed to \$21,866,762 at June 30, 2009.
- Total assets at June 30, 2010 were \$41,313,167. Of this, \$11,915,705 represents current assets, \$29,397,462 are non-current assets consisting of \$243,109 of notes receivable and \$29,154,353 invested in capital assets, net of accumulated depreciation.
- Cash, cash equivalent and investment balances at June 30, 2010 were \$11,418,175, representing an increase of \$1,966,745 over the prior fiscal year's balance of \$9,451,430.
- Operating revenues for the fiscal year 2010 were \$31,991,111 and operating expenses were \$29,508,021.
- Additions to fixed assets for the fiscal year amounted to \$338,887. There were no fixed assets either sold or otherwise disposed of during fiscal year 2010. Fixed assets are reflected at cost, less accumulated depreciation.
- Expenditures of Federal Awards amounted to \$24,524,212.
- The major program expenditure, as reflected on the Statement of Revenues, Expenses, and Changes in Net Assets, was for Housing Assistance Payments.
- Total expenditures for Housing Assistance payments were \$21,676,191 for the fiscal year ended June 30, 2010. This reflects an increase of \$2,897,550 from fiscal year ended June 30, 2009.
- Long term liabilities decreased by \$359,662 from June 30, 2009.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which are comprised of a Statement of Net Assets, Statement of Changes in Net Assets, Statement of Cash Flows and Notes to the Financial Statements.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some programs are required to be established by the United States Department of Housing and Urban Development (HUD). However, the Authority also administers other programs to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other moneys. All of the funds of the Authority are classified as an enterprise housing fund as a result of GASB 34.

Enterprise funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The focus of enterprise funds is on income measurement, which together with the maintenance of equity, is an important financial indication.

The *Statement of Net Assets* presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Changes in Net Assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents the change in the Authority's cash and cash equivalents during the most recent fiscal year.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Supplemental Information

The schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. The schedule of Federal Awards can be found in the Supplemental Information section of this report.

Financial Analysis

As we noted earlier, the Authority uses funds to help it control and manage money for particular purposes. A portion of the Authority's net assets reflect the investment in capital assets (e.g. land, buildings and improvements, furniture, equipment and machinery). The Authority uses these capital assets to provide services to clients; consequently, these assets are not available for future spending.

As indicated in the Financial Highlights, the net assets of the Authority increased during the fiscal year. The Authority receives subsidies and administrative fees to operate the Housing Choice Voucher program. During the fiscal year HUD once again notified Public Housing Authorities of the method in which the subsidies would be calculated.

Debt

The long-term debt includes mortgage loans and notes payable. We present more detail about our long-term liabilities in Note 5 to the financial statements.

Economic Factors

The Authority is primarily dependent upon HUD for the funding of operations. Therefore, the Authority is affected more by the federal budget than by state or local economic conditions. Changes in HUD subsidy affects the number of households that can be assisted under these federally funded programs on an ongoing basis. Due to the increasing need for affordable housing, it appears that funds received under these programs will be fully utilized.

Budgetary Highlights

An agency-wide budget was prepared for the fiscal year ended June 30, 2010. The budget was primarily used as a management tool. Budgets are prepared in accordance with the accounting procedures prescribed by the applicable funding agency and revised during the year as appropriate.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
COMPARATIVE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2010**

	<u>Enterprise Fund</u>		<u>Percentage</u>
	<u>2010</u>	<u>2009</u>	<u>Change</u>
Assets			
Current Assets	\$ 11,915,705	\$ 9,613,188	24.0%
Notes receivable	243,109	243,109	0.0
Capital Assets (net of accumulated depreciation)	<u>29,154,353</u>	<u>29,799,211</u>	<u>(2.2)</u>
Total Assets	<u>\$ 41,313,167</u>	<u>\$ 39,655,508</u>	<u>4.2%</u>
Liabilities			
Current Liabilities	\$ 1,402,122	\$ 1,582,300	(11.4)%
Non-current Liabilities	<u>15,846,784</u>	<u>16,206,446</u>	<u>(2.2)</u>
Total Liabilities	<u>17,248,906</u>	<u>17,788,746</u>	<u>(3.0)</u>
Net Assets			
Invested in Capital Assets, net of related debt	13,020,972	13,330,839	(2.3)
Restricted Assets	3,277,877	3,545,714	(7.6)
Unrestricted Assets	<u>7,765,412</u>	<u>4,990,209</u>	<u>55.6</u>
Total Net Assets	<u>\$ 24,064,261</u>	<u>\$ 21,866,762</u>	<u>10.0%</u>

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
COMPARATIVE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

	<u>Enterprise Fund</u>		<u>Percentage</u>
	<u>2010</u>	<u>2009</u>	<u>Change</u>
<u>Operating Revenues</u>			
Grants	\$ 28,527,140	\$ 21,367,619	33.5%
Rents	2,957,381	3,114,405	(5.0)
Other	<u>506,590</u>	<u>270,025</u>	<u>87.6</u>
Total Operating Revenues	<u>31,991,111</u>	<u>24,752,049</u>	<u>29.2</u>
<u>Operating Expenses</u>			
Administration	3,157,025	2,919,772	8.1
Utilities	487,191	515,488	(5.5)
Maintenance	2,580,350	2,340,353	10.3
Tenant services	176,897	90,025	96.5
Protective Services	210,000	210,000	0.0
General	236,622	254,627	(7.1)
Housing Assistance Payments	21,676,191	18,778,641	15.4
Depreciation	<u>983,745</u>	<u>926,192</u>	<u>6.2</u>
Total Operating Expenses	<u>29,508,021</u>	<u>26,035,098</u>	<u>13.3</u>
Operating Income (Loss)	<u>2,483,090</u>	<u>(1,283,049)</u>	<u>293.5</u>
<u>Non-Operating Revenue (Expenses)</u>			
Investment Income	50,816	187,265	(72.9)
Interest Expense	<u>(606,124)</u>	<u>(715,558)</u>	<u>(15.3)</u>
Net Non-Operating Revenue (Loss)	<u>(555,308)</u>	<u>(528,293)</u>	<u>5.1</u>
Capital fund grant revenues	<u>269,717</u>	<u>213,080</u>	<u>26.6</u>
Increase (decrease) in net assets	2,197,499	(1,598,262)	237.5
Net Assets, Beginning of Year	<u>21,866,762</u>	<u>23,465,024</u>	<u>(6.8)</u>
Net Assets, End of Year	<u>\$ 24,064,261</u>	<u>\$ 21,866,762</u>	<u>10.0%</u>

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation for its business-type activities as of June 30, 2010 was \$29,154,353 as reflected below. Additional information for the Authority's capital assets are found in Note 4 to the financial statements.

CAPITAL ASSETS (Net of Accumulated Depreciation) JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>Percentage Change</u>
Non-Depreciable Assets:			
Land	\$ 11,962,854	\$ 11,962,854	0.0%
Depreciable:			
Buildings and improvements	17,098,370	17,799,642	(3.9%)
Equipment	<u>93,129</u>	<u>36,715</u>	<u>153.7</u>
Total	<u>\$ 29,154,353</u>	<u>\$ 29,799,211</u>	<u>(2.2)%</u>

Requests for information

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Manager at the Housing Authority of the City of Alameda, 701 Atlantic Avenue, Alameda, CA 94501.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

Enterprise Fund
Housing

ASSETS

Current Assets:

Cash and investments (Note 3)	\$ 11,418,175
Due from other governments	6,719
Tenant accounts receivable (net of allowance for doubtful accounts)	51,145
Accounts receivable - other	46,633
Interest receivable	12,270
Prepaid expenses	371,499
Inventory	<u>9,264</u>
Total current assets	<u>11,915,705</u>

Notes receivable 243,109

Capital assets, net of accumulated depreciation
of \$16,454,940 (Note 4)

29,154,353

Total noncurrent assets

29,397,462

Total assets

\$ 41,313,167

LIABILITIES

Current Liabilities:

Accounts payable-vendors	\$ 4,004
Interest payable	246,630
Tenant security deposits	459,782
Accrued liabilities	247,515
Notes payable - current	354,362
Compensated absences	<u>89,829</u>
Total current liabilities	<u>1,402,122</u>

Long term debt (Note 5)

Compensated absences	67,765
Notes payable	<u>15,779,019</u>
Total noncurrent liabilities	<u>15,846,784</u>
Total liabilities	<u>17,248,906</u>

NET ASSETS

Invested in capital assets, net of related debt	13,020,972
Restricted	3,277,877
Unrestricted	<u>7,765,412</u>
Total Net Assets	<u>\$ 24,064,261</u>

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS -
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Enterprise Fund Housing</u>
<u>Operating Revenues</u>	
Grants	\$ 28,527,140
Rents	2,957,381
Other	<u>506,590</u>
Total operating revenues	<u>31,991,111</u>
<u>Operating Expenses</u>	
Administration	3,157,025
Utilities	487,191
Maintenance	2,580,350
Tenant services	176,897
Protective services	210,000
General	236,622
Housing assistance payments	21,676,191
Depreciation	<u>983,745</u>
Total operating expenditures	<u>29,508,021</u>
Operating income (loss)	<u>2,483,090</u>
<u>Non-Operating Revenues (Expenses)</u>	
Investment income	50,816
Interest expense	<u>(606,124)</u>
Net non-operating revenue (expenses)	<u>(555,308)</u>
Capital fund grant revenues	<u>269,717</u>
Change in net assets	2,197,499
Net assets, beginning of year	<u>21,866,762</u>
Total net assets, ending	<u>\$ 24,064,261</u>

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Enterprise Fund</u> <u>Housing</u>
<u>Cash flows from operating activities:</u>	
Cash received from grants	\$ 28,522,033
Cash received from rents	2,966,541
Other cash receipts	477,714
Cash payments to suppliers and consultants	(7,428,909)
Cash payments to landlords	<u>(21,676,191)</u>
Net cash provided (used) in operating activities	<u>2,861,188</u>
<u>Cash flows from capital and related financing activities:</u>	
Capital grants	269,717
Acquisition of fixed assets	(338,887)
Principal paid on capital debt	(334,991)
Interest paid on capital debt	<u>(582,019)</u>
Net cash (used) by capital and related financing activities	<u>(986,180)</u>
<u>Cash flows from investing activities:</u>	
Interest received	<u>91,737</u>
Net cash provided by investing activities	<u>91,737</u>
Net increase (decrease) in cash	1,966,745
Cash at beginning of year	<u>9,451,430</u>
Cash at end of year	<u>\$ 11,418,175</u>
<u>Reconciliation of operating income (loss) to net cash</u> <u>provided (used) by operating activities:</u>	
Operating income (loss)	\$ 2,483,090
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	983,745
Changes in assets and liabilities:	
Increase in accounts receivable	(19,716)
Increase in due from other governments	(5,107)
Increase in prepaid expenses	(352,555)
Decrease in inventories	685
Decrease in accounts payable	(27,744)
Increase in tenants' security deposits payable	29,172
Decrease in compensated absences	(12,295)
Decrease in other accrued liabilities	<u>(218,087)</u>
Net cash used by operating activities	<u>\$ 2,861,188</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - DEFINITION OF REPORTING ENTITY

The Housing Authority of the City of Alameda (the Authority) was established on August 8, 1940 by a resolution of the City of Alameda City Council. The Authority is governed by a six member Board of Commissioners. Five of these members are also members of the City Council of the City of Alameda, California and one member is a resident in one of the Authority's complexes. The Board retains authority over the budget but has delegated authority for most other policy decisions to the seven member Housing Commission. The City Council appoints the members of the Housing Commission who serve for either two or four year terms.

During the year ended June 30, 2010, the Authority did not exercise oversight responsibility over any other organizations. The financial statements present information for the activities of only that portion of funds and account groups of the Housing Authority of the City of Alameda. These financial statements do not present information of any other component unit or department of the City of Alameda.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements are presented on the basis set forth in Government Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. GASB 34 requires that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and Statement of Activities display information about the primary government (the Authority). These statements include the financial activities of the overall Authority. These statements distinguish between the *governmental and business-type activities* of the Authority. Business-type activities are financed in whole or in part by fees charged to external parties. There were no governmental type activities for the Authority for fiscal year 2010.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Authority and for each function of the Authority's governmental activities (if such activities were to exist). Direct expenses are those that are specifically associated with a program or function and, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to the operations of a particular program. Revenues that are not classified as program revenues are presented as general revenues. Revenues such as operating grants, rents, and other miscellaneous fees are recorded as operating revenues. Revenues such as investment earnings are recorded as nonoperating revenues.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

Note 2 (continued)

Fund Financial Statements: The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. There are no governmental fund types for this Authority.

B. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when related cash flows take place.

Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary Fund Types

Proprietary funds use the economic resources measurement focus. The accounting objectives are a determination of net income, financial position and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is segregated into contributed capital and retained earnings.

C. Fixed Assets

Fixed assets are valued at historical cost. Contributed general fixed assets are recorded at fair market value at the time received. Interest expense incurred during the development period is capitalized.

Fixed assets include all land and site improvements thereon; all dwelling and nondwelling structures, including fixtures permanently attached thereto or installed in a fixed position; and all items of nonexpendable equipment acquired and held for the projects. It also includes items of expendable equipment paid for from funds provided for the development of the projects.

Maintenance, minor repairs and replacements are recorded as expenses; extraordinary replacements of property resulting in property betterments are charged to the property accounts.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of the related asset. The estimated useful lives of the various asset categories are as follows:

Buildings	40 years
Improvements	15 years
Equipment and vehicles	5 to 10 years

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

Note 2 (continued)

D. Receivables

All receivables are reported at their gross value tenants' accounts receivable which will be reduced by an allowance for doubtful accounts if such an amount is considered applicable.

E. Income Taxes

The Authority is exempt from Federal Income and California Franchise Taxes.

F. Encumbrances

Encumbrance accounting is not employed by the Authority.

G. Inventories

Inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventory consists of expendable maintenance supplies held for consumption. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories on hand at the fiscal year end are reported as assets.

H. Employee Leave Benefits

Regular full-time employees earn from 15 to 25 vacation days per year, depending upon their length of employment. Each employee also earns 12 sick leave days per year. Unused annual leave may be accumulated not to exceed 10 days in addition to that accrued in the current calendar year. Unused sick leave will be allowed to accumulate, however, no sick leave is paid to the employee upon his termination from the Authority. An employee terminating employment shall be paid for any accumulated annual leave at their current hourly rate of pay.

I. Operating and Non-Operating Revenues and Expenses

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essential equal values. Nonoperating revenues such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, housing assistance payments to landlords, and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

J. Grant Restrictions

The Authority has received loans and grants from the U.S. Department of Housing and Urban Development to build and improve housing projects. The grants require that only individuals and families that meet various income, age and employment standards be housed or aided.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

Note 3 - CASH AND INVESTMENTS

A. Policies

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Authority's name and places the authority ahead of general creditors of the institution.

The Authority and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the Authority employs the Trust Department of a bank as the custodian of certain managed investments, regardless of their form.

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of those adjustments in income for that fiscal year.

Cash and cash equivalents are considered to be liquid assets for purposes of measuring cash flows.

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Authority debt instruments or agency agreements. Cash and investments as of June 30, 2010 are as follows:

Cash and cash equivalents	\$ 10,881,640
Investments with trustees	<u>536,535</u>
Total cash and investments	<u>\$ 11,418,175</u>

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

Note 3 (continued)

The \$11,418,175 of cash and equivalents reflects \$2,155,528 maintained on deposit in banks, \$250 of petty cash, and \$9,262,397 deposited in the State of California Local Agency Investment Fund (LAIF). Of the amounts deposited into banks and certificates of deposit, \$250,000 is covered by federal deposit insurance. The remaining \$1,905,528 as previously stated is required by California law to be collateralized by governmental securities with a market value of 110% of the deposit or with first trust deed mortgages with a value of 150% of the uninsured amount.

The \$536,535 of investments with trustees reflects amounts held by trust departments of various Authority lending agencies. These amounts will be used for future rehabilitation and operating costs of the Authority's multifamily projects. Investments are carried at fair value.

C. Investments Authorized by the California Government Code and the Authority's Investment Policy

The Authority's investment policy and the California Government Code allow the Authority to invest in the following, provided rating of the issuers are acceptable to the Authority; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Authority's investment policy where the Authority's Investment Policy is more restrictive.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum in Portfolio</u>	<u>Maximum Investment One Issuer</u>
Repurchase Agreements	N/A	N/A	N/A	N/A
California Local Agency Investment Fund (LAIF)	Upon Demand	N/A	N/A	N/A
U.S. Treasury Bonds, Notes & Bills	N/A	N/A	N/A	N/A
U.S. Agency & U.S. Government	N/A	N/A	N/A	N/A
Bankers acceptances	270 Days	N/A	40%	30%
Negotiable Certificates of Deposit	N/A	AA	30%	N/A
Time Certificates of Deposit	N/A	N/A	30%	N/A
Medium Term Corporate Notes	5 Years	N/A	30%	N/A
Money Market Mutual Funds	N/A	AAA	20%	N/A
County Agency Investment fund	Upon Demand	N/A	30%	N/A
Reverse Repurchase Agreements	N/A	N/A	N/A	N/A

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

Note 3 (continued)

D. Investments authorized by Debt Agreements and Governmental Grants

The Authority must maintain required amounts of cash and investments or fiscal agents under terms of certain debt issues and governmental grants. These funds are unexpended bond proceeds or are pledged as reserves to be used if the Authority fails to meet its obligations under these debt issuances or governmental grants. The California Government Code requires these funds to be invested in accordance with Authority policies, bond indentures or State Statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum in Investment In One Issuer</u>
<u>For U.S. Department of Housing and Urban Development Funds</u>				
Repurchase Agreements	N/A	N/A	No Limit	No Limit
U.S. Government Obligations & Agencies	No Limit	N/A	No Limit	No Limit
State Obligations	N/A	N/A	No Limit	No Limit
Commercial Paper	N/A	N/A	No Limit	No Limit
Bankers acceptances	270 Days	N/A	40%	30%
Certificates of Deposit	N/A	N/A	30%	No Limit
Time Deposits	N/A	N/A	No Limit	No Limit
Qualified Financial Institution				
General Obligations	Upon Demand	AAA	No Limit	No Limit
Money Market Mutual Funds	N/A	AAA	20%	No Limit
U.S. Treasury Bills, Notes and Bonds	No Limit	N/A	No Limit	No Limit
<u>For Non U.S. Department of Housing and Urban Development Funds</u>				
Prime Commercial Paper	180 Days	Highest Rating	15%	30%
Medium Term Notes	5 Years	A	30%	N/A
City of Alameda Bonds	N/A	N/A	No Limit	No Limit
State of California Obligations	N/A	N/A	No Limit	No Limit
U.S. Government Obligations and Agencies	N/A	N/A	No Limit	No Limit
Bankers Acceptances	270 Days	N/A	40%	30%
Certificates of Deposit	N/A	N/A	30%	No Limit
Repurchase Agreements	N/A	N/A	No Limit	No Limit
Money Market Mutual Funds	N/A	N/A	No Limit	No Limit

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

Note 3 (continued)

Trust Indentures	N/A	N/A	No Limit	No Limit
Mortgage & Equipment Lease Obligations	5 Years	AA	30%	No Limit

E. Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustees) to market rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

<u>Investment Type</u>	<u>12 Months or Less</u>	<u>One to Five Years</u>	<u>More Than Five Years</u>	<u>Total</u>
U.S. Treasury Notes and Bills	536,535	-	-	536,535
Local Agency Investment Fund	9,262,397	-	-	9,262,397
Total Investments	<u>\$ 9,798,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,798,932</u>

F. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2010 for each Authority investment type as provided by Standard and Poor's except as noted:

<u>Investment Type</u>	
Not Rated:	
Local Agency Investment Fund	\$ 9,262,397

G. Concentration of Credit Risk

The Authority is required to disclose investments that represent a concentration of five percent or more of investments in any issuer, held by individual Authority Funds in the securities of issuers other than U.S. Treasury securities, mutual funds and external investment pools. At June 30, 2010 there were no investments of this type.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

Note 4 - FIXED ASSETS

The following is a summary of the Authority's changes in fixed assets for the fiscal year ended June 30, 2010:

	Balance 7/1/09	Additions	Deletions	Balance 6/30/10
Land	\$ 11,962,854	\$ -	\$ -	\$ 11,962,854
Buildings & Improvements	33,082,413	266,876	-	33,349,289
Equipment	225,139	72,011	-	297,150
	<u>\$ 45,270,406</u>	<u>\$ 338,887</u>	<u>\$ -</u>	45,609,293
Less accumulated Depreciation				<u>(16,454,940)</u>
Fixed assets, net				<u>\$ 29,154,353</u>

Note 5 - LONG-TERM DEBT

Following is a summary changes in long-term debt for the year ended June 30, 2010:

	Balance 7/1/09	Additions	Deletions	Balance 6/30/10	Current Portion
ARCS Comm. Co. L.P.	\$ 6,414,522	\$ -	\$ 109,213	\$ 6,305,309	\$ 115,759
PMC Financial Services	8,551,788	-	209,415	8,342,373	221,383
Notes Payable – City of Alameda	1,084,918	-	1,272	1,083,646	1,290
Notes Payable - Other	417,140	-	15,087	402,053	15,930
Compensated Absences	169,889	-	12,294	157,595	-
	<u>\$ 16,638,257</u>	<u>\$ -</u>	<u>\$ 347,281</u>	<u>\$ 16,290,976</u>	<u>\$ 354,362</u>

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

Note 5 (continued)

The following is a schedule of debt payment requirements to maturity for long-term obligations other than compensated absences:

Year Ending June 30	Principal	Interest	Total Required Payments
2011	354,362	636,764	991,126
2012	374,867	620,256	995,123
2013	396,560	602,798	999,358
2014	419,508	584,334	1,003,842
2015	443,785	564,807	1,008,592
2016-2020	2,635,260	2,489,428	5,124,688
2021-2025	3,491,649	1,802,022	5,293,671
2026-2030	4,500,800	908,119	5,408,919
2031-2035	2,546,294	143,453	2,689,747
2036-2040	48,618	-	48,618
2041-2045	43,684	-	43,684
2046-2050	36,934	-	36,934
2051-2055	213,151	-	213,151
2056-2057	627,909	-	627,909
	<u>\$ 16,133,381</u>	<u>\$ 8,351,981</u>	<u>\$ 24,485,362</u>

The deed of trust note dated April 1, 2005 of \$6,800,000 for the Parrot Village and Eagle Village Apartments with ARCS Commercial Co. L.P. accrues interest at a variable rate based upon the weekly short term bond reset rate. The note requires annual payments of principal and interest in amounts at least totaling \$340,016. The note matures April 15, 2035. The outstanding balance on the note at June 30, 2010 was \$6,305,309.

Four other notes are secured by deeds of trust on six properties located throughout the city of Alameda. These notes were issued during the fiscal years ended June 30, 1997 and June 30, 2004. These notes have a balance owing of \$402,053 as of June 30, 2010. The notes have interest rates ranging from 5.05% to 6.72% per annum and require annual principal and interest payments totaling \$37,298.

Issued during the fiscal year ended June 30, 1997 were two deferred loans from the City of Alameda. These loans were issued for \$518,600 and carry no interest rate. They are secured by deeds of trust on nine properties located in Alameda, California. One of the notes is deferred January 1, 2027. The combined balances outstanding on these notes at June 30, 2010 was \$513,646.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

Note 5 (continued)

A promissory note agreement for \$570,000 was entered into with the City of Alameda on June 18, 1998. This note bears interest at 3% per annum. Both interest and principal payments on this loan are deferred until the note's due date of June 30, 2057.

The mortgage note payable to PMC Financial Services was entered into on August 25, 1998. It is payable in monthly installments of \$56,705, including principal and interest at 5.57%. Final payment is due February 1, 2031. The outstanding balance on this loan at June 30, 2010 was \$8,342,373.

Note 6 - COMPENSATED ABSENCES

It is the Authority's policy to permit employees to accumulate earned but unused vacation leave up to a maximum of 10 days. This leave will be used in future periods or paid to employees upon separation from the Authority. Accrued vacation leave has been valued by the Authority and has been recorded at \$157,594 as of June 30, 2010.

It is the Authority's policy to permit employees to accumulate earned but unused sick leave, however, the value of unused sick leave is not payable upon separation from the Authority.

Note 7 - OPERATING LEASE

The Authority on March 14, 2003 entered into a lease agreement with the Resources for Community Development (RCD) to lease land to RCD until March 14, 2078. Total rental income for the year ended June 30, 2010 under the lease agreement was \$1.

At June 30, 2010, the future rental income required under the lease for the land is as follows:

Fiscal Year Ending	
2011	1
2012	1
2013	1
2014	1
2015	1
Thereafter	62
	<u>\$ 67</u>

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

Note 8 - EMPLOYEES RETIREMENT PLAN

On July 1, 2000, the employees of the Housing Authority of the City of Alameda officially became employees of the City of Alameda. The individuals continue to work at the Authority as contracted staff. Upon becoming employees of the City of Alameda these employees became entitled to the benefits offered all other employees of the City, including participation in the City's employees' retirement plan. On July 2003 the Board of Commissioners approved the merger of the Authority's previous pension plan with the existing plan of the City of Alameda. This merger became retroactive to July 1, 2000, the date the employees of the Housing Authority became employees of the City of Alameda. The information pertaining to the retirement plan for staff at the Authority is included in the financial report of the City of Alameda.

Note 9 - JOINT POWERS AGREEMENTS

Workers' Compensation Insurance

The Authority participates in a joint venture under a joint powers agreement (JPA) with the California Housing Workers' Compensation Authority (CHWCA). CHWCA was formed to provide workers' compensation insurance coverage for member housing authorities. At December 31, 2009, there were thirty members. The relationship between the Authority and CHWCA is such that CHWCA is not a component unit of the Authority for financial reporting purposes.

Condensed audited financial information for the year ended December 31, 2009, is as follows:

Total assets	\$ 24,661,159
Total liabilities	<u>(11,107,053)</u>
Total net assets	<u>\$ 13,554,106</u>
Total revenues	\$ 5,027,589
Total expenses	<u>(3,080,978)</u>
Net decrease in net assets	<u>\$ (1,946,611)</u>

CHWCA had \$10,928,994 of unpaid claims and claim adjustment expenses outstanding at December 31, 2009. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated.

Property and Liability Insurance

The Authority participates in a joint venture under a joint powers agreement (JPA) with the Housing Authorities Risk Retention Pool (HARRP). HARRP was formed to provide property and liability insurance coverage for member housing authorities. At December 31, 2009 there were 90 members. The relationship between the Authority and HARRP is such that HARRP is not a component unit of the Authority for financial reporting purposes.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

Note 9 (continued)

Condensed audited financial information for the year ended December 31, 2009 is as follows:

Total assets	\$ 32,055,481
Total liabilities	(6,154,578)
Minority interest	<u>(8,774)</u>
Total net assets	<u>\$ 25,892,129</u>
Total revenues	\$ 6,014,051
Total expenses	(5,341,631)
Minority income	<u>4,899</u>
Net increase in net assets	<u>\$ 677,319</u>

HARRP had \$3,727,633 in outstanding claims liabilities at December 31, 2009. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated.

Note 10 - CONTINGENT LIABILITIES

Federal Grants

The Authority has received funds from various federal, state, and local grant programs. It is possible that at some future date it may be determined that the Authority was not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Authority does not expect such disallowed amounts, if any, to materially affect the financial statements.

SUPPLEMENTAL INFORMATION

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Department of Housing and <u>Urban Development (HUD)</u>		
Direct Programs:		
Public and Indian Housing	14.850	\$ 176,683
Section 8 Housing Choice Vouchers	14.871	23,492,698
Family Unification Program	14.880	370,392
Rent Supplements - Rental Housing for Lower Income Families	14.149	214,722
Formula Capital Fund Stimulus Grant	14.885	<u>269,717</u>
Total federal expenditures, all U.S. Department of Housing and Urban Development		<u>\$ 24,524,212</u>

This statement was prepared on the accrual basis of accounting.

The accompanying Independent Auditors' Report and notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATEMENT OF COMPLETED CAPITAL FUND PROJECTS
JUNE 30, 2010**

Capital Fund Recovery Grant No. CA39S062501-09

Grant funds approved	\$ 269,717
Grant funds received from HUD	<u>269,717</u>
Grant funds receivable	<u>\$ -</u>
Grant fund expended	\$ 269,717
Grant funds received from HUD	<u>269,717</u>
Unexpended grant funds	<u>\$ -</u>

The accompanying Independent Auditors' Report and notes are an integral part of this statement.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners
Housing Authority of the
City of Alameda
Alameda, California

We have audited the financial statements of the business-type activities and the major funds of the Housing Authority of the City of Alameda, California, as of and for the year ended June 30, 2010, which collectively comprise the Housing Authority of the City of Alameda, California's basic financial statements and have issued our report thereon dated February 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the City of Alameda's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Alameda, California's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Alameda, California's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, the Board of Commissioners, others within the entity, and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Wallace Rowe & associates

February 3, 2011

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners
Housing Authority of the
City of Alameda
Alameda, California

Compliance

We have audited the Housing Authority of the City of Alameda, California's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Housing Authority of the City of Alameda, California's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the City of Alameda, California's management. Our responsibility is to express an opinion on the Housing Authority of the City of Alameda, California's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Alameda, California's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Authority of the City of Alameda, California's compliance with those requirements.

In our opinion, the Housing Authority of the City of Alameda, California complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Housing Authority of the City of Alameda, California is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of the City of Alameda, California's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Alameda, California's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information of management, the Board of Commissioners, others within the entity, and federal awarding agencies and is not intended and should not be used by anyone other than these specified parties.



February 3, 2011

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2010**

The previous audit report for the year ended June 30, 2009, contained no audit findings.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Reportable conditions identified not considered material weaknesses?	no
Noncompliance material to financial statements?	no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified not considered material weaknesses?	no
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with A-133, Section .510(a)?	no
Identification of major programs:	
Public and Indian Housing	14.850
Section 8 Housing Choice Vouchers	14.871
Family Unification Program	14.880
Rent Supplements – Rental Housing for Lower Income Families	14.149
Formula Capital Fund Stimulus Grant	14.885
Dollar threshold to distinguish between Type A and Type B programs	\$ 735,726
Auditee qualified as low risk auditee?	yes

Section II - Financial Statement Findings	no
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Section III - Federal Award Findings	no
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CITY OF ALAMEDA HOUSING AUTHORITY (CA062)
ALAMEDA, CA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2010

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	14.149 Rent Supplements Rental Housing for Lower Income	14.885 Formula Capital Fund Stimulus Grant	14.880 Family Unification Program (FUP)	Subtotal	ELIM	Total
111 Cash - Unrestricted			\$28,919	\$697,556	\$65,534			\$792,009		\$792,009
112 Cash - Restricted - Modernization and										
113 Cash - Other Restricted		\$489,601	\$346,067	\$190,468				\$1,026,136		\$1,026,136
114 Cash - Tenant Security Deposits			\$145,562	\$314,220				\$459,782		\$459,782
115 Cash - Restricted for Payment of Current										
100 Total Cash	\$0	\$489,601	\$520,548	\$1,202,244	\$65,534	\$0	\$0	\$2,277,927	\$0	\$2,277,927
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects					\$5,736			\$5,736		\$5,736
124 Accounts Receivable - Other Government		\$878		\$105				\$983		\$983
125 Accounts Receivable - Miscellaneous				\$46,633				\$46,633		\$46,633
126 Accounts Receivable - Tenants			\$589	\$65,859				\$66,448		\$66,448
126.1 Allowance for Doubtful Accounts - Tenants			-\$625	-\$14,678				-\$15,303		-\$15,303
126.2 Allowance for Doubtful Accounts - Other		\$0		\$0	\$0			\$0		\$0
127 Notes, Loans, & Mortgages Receivable -										
128 Fraud Recovery		\$189,529						\$189,529		\$189,529
128.1 Allowance for Doubtful Accounts - Fraud		-\$189,529						-\$189,529		-\$189,529
129 Accrued Interest Receivable		\$3,140	\$259	\$8,871				\$12,270		\$12,270
120 Total Receivables, Net of Allowances for	\$0	\$4,018	\$223	\$106,790	\$5,736	\$0	\$0	\$116,767	\$0	\$116,767
131 Investments - Unrestricted			\$80,629	\$6,753,911				\$6,834,540		\$6,834,540
132 Investments - Restricted		\$1,955,131					\$350,577	\$2,305,708		\$2,305,708
135 Investments - Restricted for Payment of										

CITY OF ALAMEDA HOUSING AUTHORITY (CA062)
ALAMEDA, CA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133		Fiscal Year End: 06/30/2010							
	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	14.149 Rent Supplements Rental Housing for Lower Income	14.885 Formula Capital Fund Stimulus	14.880 Family Unification Program (FUP)	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$99,313		\$1,284,079	\$1,573,989			\$2,957,381		\$2,957,381
70400 Tenant Revenue - Other	\$1,756		\$9,181	\$39,313			\$50,250		\$50,250
70500 Total Tenant Revenue	\$101,069	\$0	\$1,293,260	\$1,613,302	\$0	\$0	\$3,007,631	\$0	\$3,007,631
70600 HUD PHA Operating Grants	\$176,653	\$22,760,683		\$214,722		\$370,392	\$23,522,480		\$23,522,480
70610 Capital Grants					\$269,717		\$269,717		\$269,717
70710 Management Fee									
70720 Asset Management Fee									
70730 Book Keeping Fee									
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue							\$0	\$0	\$0
70800 Other Government Grants		\$732,015	\$778,565	\$3,494,080			\$5,004,660		\$5,004,660
71100 Investment Income - Unrestricted	\$0		\$912	\$37,594			\$38,506		\$38,506
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets									
71310 Cost of Sale of Assets									
71400 Fraud Recovery		\$21,366					\$21,366		\$21,366
71500 Other Revenue		\$77,541	\$32,471	\$324,962			\$434,974		\$434,974
71600 Gain or Loss on Sale of Capital Assets									
72000 Investment Income - Restricted		\$12,110				\$200	\$12,310		\$12,310
70000 Total Revenue	\$277,752	\$23,603,715	\$2,105,208	\$5,469,938	\$214,722	\$370,592	\$32,311,644	\$0	\$32,311,644

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94100 Ordinary Maintenance and	\$26,393	\$1,689	\$237,909	\$571,907				\$837,898	\$837,898
94200 Ordinary Maintenance and	\$8,133	\$3,959	\$59,426	\$136,500				\$208,018	\$208,018
94300 Ordinary Maintenance and	\$34,553	\$21,847	\$208,732	\$856,536				\$1,121,668	\$1,121,668
94500 Employee Benefit Contributions -	\$10,079	\$641	\$79,659	\$184,318				\$274,697	\$274,697
94000 Total Maintenance	\$79,158	\$28,136	\$585,726	\$1,749,261	\$0	\$0	\$0	\$2,442,281	\$2,442,281
95100 Protective Services - Labor									
95200 Protective Services - Other	\$9,135	\$15,960	\$37,590	\$147,315				\$210,000	\$210,000
95300 Protective Services - Other									
95500 Employee Benefit Contributions -									
95000 Total Protective Services	\$9,135	\$15,960	\$37,590	\$147,315	\$0	\$0	\$0	\$210,000	\$210,000
96110 Property Insurance	\$3,201	\$7,769	\$16,883	\$56,043				\$83,896	\$83,896
96120 Liability Insurance	\$2,629	\$803	\$318	\$7,824				\$11,574	\$11,574
96130 Workmen's Compensation		\$8,695	\$21,432	\$55,753				\$85,880	\$85,880
96140 All Other Insurance		\$2,290	\$41,484	\$2,254				\$46,028	\$46,028
96100 Total Insurance Premiums	\$5,830	\$19,557	\$80,117	\$121,874	\$0	\$0	\$0	\$227,378	\$227,378
96200 Other General Expenses									
96210 Compensated Absences									
96300 Payments in Lieu of Taxes									
96400 Bad debt - Tenant Rents	\$3,442		\$2,700	\$3,102				\$9,244	\$9,244
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96000 Total Other General Expenses	\$3,442	\$0	\$2,700	\$3,102	\$0	\$0	\$0	\$9,244	\$9,244
96710 Interest of Mortgage (or Bonds)									
96720 Interest on Notes Payable (Short			\$471,042	\$135,082				\$606,124	\$606,124
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and	\$0	\$0	\$471,042	\$135,082	\$0	\$0	\$0	\$606,124	\$606,124

96900	Total Operating Expenses	\$167,878	\$1,623,168	\$1,704,250	\$3,763,713	\$37,131	\$0	\$0	\$7,316,140	\$0	\$7,316,140
97000	Excess of Operating Revenue over	\$109,874	\$21,980,547	\$400,958	\$1,686,225	\$177,591	\$269,717	\$370,592	\$24,995,504	\$0	\$24,995,504
97100	Extraordinary Maintenance			\$9,568	\$128,501				\$138,069		\$138,069
97200	Casualty Losses - Non-capitalized										
97300	Housing Assistance Payments		\$21,478,865			\$177,311		\$20,015	\$21,676,191		\$21,676,191
97350	HAP Portability-In										
97400	Depreciation Expense	\$40,152		\$314,483	\$629,110				\$983,745		\$983,745
97500	Fraud Losses										
97600	Capital Outlays - Governmental										
97700	Debt Principal Payment -										
97800	Dwelling Units Rent Expense										
90000	Total Expenses	\$208,030	\$23,102,033	\$2,028,301	\$4,541,324	\$214,442	\$0	\$20,015	\$30,114,145	\$0	\$30,114,145
10010	Operating Transfer In										
10020	Operating transfer Out										
10030	Operating Transfers from/to										
10040	Operating Transfers from/to										
10050	Proceeds from Notes, Loans and										
10060	Proceeds from Property Sales										
10070	Extraordinary Items, Net Gain/Loss										
10080	Special Items (Net Gain/Loss)										
10091	Inter Project Excess Cash Transfer										
10092	Inter Project Excess Cash Transfer										
10093	Transfers between Program and										
10094	Transfers between Project and										
10100	Total Other financing Sources	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000	Excess (Deficiency) of Total	\$69,722	\$501,682	\$76,907	\$928,614	\$280	\$269,717	\$350,577	\$2,197,499	\$0	\$2,197,499

11020	Required Annual Debt Principal	\$0	\$0	\$221,383	\$132,979	\$0	\$0	\$0	\$354,362	\$354,362
11030	Beginning Equity	\$5,008,956	\$1,750,729	\$820,884	\$14,215,203	\$70,990	\$0	\$0	\$21,866,762	\$21,866,762
11040	Prior Period Adjustments, Equity	-\$5,078,678			\$5,348,395		-\$269,717		\$0	\$0
11050	Changes in Compensated									
11060	Changes in Contingent Liability									
11070	Changes in Unrecognized Pension									
11080	Changes in Special									
11090	Changes in Allowance for Doubtful									
11100	Changes in Allowance for Doubtful									
11170	Administrative Fee Equity		-\$138,354						-\$138,354	-\$138,354
11180	Housing Assistance Payments		\$2,390,765						\$2,390,765	\$2,390,765
11190	Unit Months Available	240	21640	2232	4224	360			28696	28696
11210	Number of Unit Months Leased	224	20789	2158	3900	342			27413	27413
11270	Excess Cash	-\$13,989							-\$13,989	-\$13,989
11610	Land Purchases	\$0							\$0	\$0
11620	Building Purchases	\$0							\$0	\$0
11630	Furniture & Equipment - Dwelling	\$0							\$0	\$0
11640	Furniture & Equipment -	\$0							\$0	\$0
11650	Leasehold Improvements	\$0							\$0	\$0
11660	Infrastructure Purchases	\$0							\$0	\$0
13510	CFFP Debt Service Payments	\$0							\$0	\$0
13901	Replacement Housing Factor	\$0							\$0	\$0